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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

September 16, 1993

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

Re: Written Ex Parte CC Docket No. 92-296

Dear Mr. Caton:

Attached is a letter to Commissioner Andrew C. Barrett from David J. Markey, V.P., Governmental Affairs, BellSouth Corporation expressing his views regarding the above-referenced proceeding.

Please include this letter in the public record in this proceeding. Please contact me if you have any questions concerning this matter.

Respectfully submitted,

Maurice P. Talbot, Jr.

Maurice P. Talbot, Jr.

Attachment

cc: Commissioner Andrew C. Barrett w/o attachment
Jeffrey H. Hoagg w/o attachment

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David J. Markey
Vice President-
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 16, 1993

Commissioner Andrew Barrett
Federal Communications Commission
1919 M. St. N.W. Room 844
Washington, D.C. 20554

Re: Depreciation Simplification: CC Docket No. 92-296

Dear Commissioner Barrett:

The attachment to this letter is offered to assist the FCC in deliberations on which depreciation simplification option the Commission should choose at its September 23 Open Meeting. It is clear that Option A as defined in the Notice of Proposed Rulemaking (NPRM) represents no real change. The proposed modifications to Option A in the attachment will positively impact future infrastructure development. However, I must point out that Option D, as modified by the industry, is still the most effective choice.

As stated in the attachment, Option A is at best a short-term solution that will have to be redone by the Commission within the next few years. Advancing technology, increasing competition and the current Administration's desire to build the telecommunications infrastructure will dictate that all players should be treated equally. The Administration wishes to rely more on market forces than regulatory rules to achieve its objective of building this Nation's information superhighways. Furthermore, the record may not support establishing ranges under Option A without a further NPRM. Option D, as modified by the industry's proposal, does not suffer from this deficiency. In fact, if the Commission wished to direct the Common Carrier Bureau staff to develop reasonable, broad ranges as an informal test of the carrier's proposed depreciation rates, it could do so. This could be done quickly without the need for further proceedings. The option then could be called either option A or D with modifications.

If you have any questions that I can answer, please do not hesitate to give me a call.

Sincerely,

David J. Markey

Attachment

cc: William Caton
Jeffrey Hoagg

Attachment

September 16, 1993

## DEPRECIATION

**OPTION A (as defined by Commission in NPRM)**

- Establishes ranges for key parameters such as projection life, e.g., a range for the digital switching account could be 16 to 20 years.
- Would only establish ranges immediately for minor accounts and not for major technology accounts such as the three copper cable outside plant accounts (underground, buried and aerial), digital and analog switching and the circuit accounts.
- Would consider phasing in major accounts over several years.
- Would continue to prescribe companies based on the current three-year cycle.

Option A is virtually no change from current process.

**PROPOSED MODIFICATIONS TO OPTION A**

- Establish ranges for key parameters that is broad enough to give LECs some flexibility, e.g., a range on digital switching from 10 to 20 years instead of 16-20 would be acceptable. Range must be broader than from shortest to longest life now prescribed.
- Establish ranges for all accounts immediately.
- Allow all companies to file new depreciation rates on an annual basis instead of current three-year cycle.
- Do it now. Do not go through another NPRM to establish the ranges.

**MODIFIED OPTION D IS SUPERIOR**

- No need to do another NPRM because of record support unlike option A where an NPRM may be required to establish ranges.
- Industry would accept responsibility for any future reserve deficiency.
- Adequate safeguards have been proposed by industry.
- Unlike Option A which is only an interim step that will have to be redone, in the near future, option D is a more permanent solution that treats LEC industry in the same way as competitors such as Cable TV companies, alternative access providers, and others.
- Option D could informally encompass option A by the Commission directing the Common Carrier Bureau staff to to establish reasonable ranges by which to judge the reasonableness of LEC depreciation proposals.